

MAS responds to feedback on proposals to mandate reference checks for financial industry

The Monetary Authority of Singapore (MAS) has officially published its response to the feedback received on its proposals to mandate reference checks within the financial sector. This move underscores MAS's commitment to enhancing the integrity and accountability of financial institutions operating in Singapore, aiming to promote a culture of responsibility and ethical conduct.

Background and proposal

In an effort to mitigate the risk of hiring individuals with dubious histories or those who have been involved in misconduct, MAS had earlier proposed a comprehensive framework requiring financial institutions to conduct detailed reference checks on prospective employees. This initiative was aimed particularly at those seeking to fill positions of significant influence or roles that are critical to the institution's operations.

Key highlights from the MAS response

- 1. Emphasis on comprehensive checks:** MAS has underscored the importance of thorough background checks, highlighting that these should cover a broad spectrum of information, including, but not limited to an individual's employment history, reasons for leaving previous positions, and any record of disciplinary actions.
- 2. Implementation timeline:** acknowledging the concerns raised by industry stakeholders about the time required to implement such measures, MAS has provided a phased implementation timeline. This approach is designed to give financial institutions adequate time to adjust their internal processes to comply with the new requirements.
- 3. Confidentiality and data protection:** in response to feedback concerning the handling of personal and sensitive information, MAS has clarified the measures that will be in place to ensure the confidentiality and security of data exchanged during the reference check process. These measures are aligned with Singapore's strict data protection laws.

4. **Addressing false positives:** to address concerns about the potential for false positives that could unfairly impact an individual's career, MAS has outlined procedures for dispute resolution and the correction of inaccuracies in employment references.

5. **Cross-border considerations:** recognizing the global nature of the financial industry, MAS has included guidelines for conducting reference checks across jurisdictions. These guidelines take into account the legal and regulatory differences that may affect the process of obtaining and sharing information internationally.

Conclusion

MAS's publication in response to the feedback on its proposal to mandate reference checks is a significant step forward in enhancing the transparency and reliability of the hiring process in the financial sector. By establishing a standardized framework for reference checks, MAS aims to prevent the circulation of individuals who may pose a risk to the integrity and stability of the financial system. As the implementation phase approaches, financial institutions are encouraged to review their internal processes and prepare to meet the new requirements, ensuring a smooth transition into the new regulatory environment.

Next steps for financial institutions

Financial institutions should take proactive steps to align with MAS' proposals for mandated reference checks. Here are several key actions they should consider to ensure compliance and smooth integration of these new requirements into their existing operations:

1. Review and update policies

- **Conduct a policy audit:** institutions should review their current hiring and reference check policies to identify areas that require updates or enhancements to meet the MAS guidelines.
- **Develop clear guidelines:** create or revise policies that define the scope, methodology, and standards for conducting reference checks, ensuring they align with MAS' expectations and legal requirements.

2. Implement robust systems

- **Technology solutions:** consider implementing or upgrading HR technologies and systems that can streamline the reference checking process, ensuring it is both efficient and secure.
- **Data protection measures:** enhance data protection measures to secure personal and sensitive information, complying with Singapore's Personal Data Protection Act (PDPA) and other relevant data protection regulations.

3. Training and awareness

- **Staff training:** provide training for HR personnel and managers on the new policies and procedures to ensure they understand the importance of thorough reference checks and how to conduct them effectively.
- **Awareness campaigns:** run awareness campaigns within the organisation to underline the significance of ethical hiring practices and the role of reference checks in promoting a trustworthy financial sector.

4. Establish cross-border procedures

- **International compliance:** develop procedures for conducting reference checks across jurisdictions, taking into account different legal and regulatory requirements.
- **Partnerships:** work with international counterparts to facilitate the exchange of reference information, ensuring compliance with international data protection laws.

5. Prepare for dispute resolution

- **Dispute mechanisms:** establish clear procedures for individuals to dispute inaccurate or misleading information in their employment references.
- **Correction process:** ensure there is a mechanism in place to correct any inaccuracies promptly and efficiently.

6. Phased implementation and testing

- **Pilot programs:** before full implementation, consider running pilot programs to test the effectiveness and efficiency of the new reference check processes.
- **Feedback loops:** create feedback mechanisms to gather insights from the HR team and other stakeholders on the reference check process, using this information to refine and adjust policies and procedures.

7. Regular review and auditing

- **Continuous improvement:** regularly review and update reference check policies and practices to ensure they remain effective and compliant with evolving regulatory requirements.
- **Audit processes:** conduct periodic audits to assess compliance with MAS' guidelines and to identify any areas for improvement.

If you would like to find out more about ensuring compliance with MAS' new requirements, please reach out to your Waystone Compliance Solutions representative or contact us below.

[Contact Us](#)